



SPECIAL PAYMENT PROCEDURES

ELECTRONIC FUNDS TRANSFER PROGRAM



ELECTRONIC FUNDS TRANSFER OPTIONS

INFORMATION

ACH Debit

Department of Revenue Recommended Option

What Happens:

Business Day Before
Payment Due Date:

- ❖ Taxpayer reports key payment information to Global Payment Systems by 3 p.m. CST.
- ❖ Global Payment Systems transmits reported information to the Department of Revenue and to the ACH System.
- ❖ Payment Warehousing is available up to 90 days before a payment is due.

Payment Due Date:

- ❖ Pre-authorized funds are electronically withdrawn from taxpayer's designated bank account and credited to State's Treasury account on the business day following the phone call.
- ❖ Department of Revenue updates payment records.
- ❖ Taxpayer mails required tax return to the Department of Revenue by due date.

Advantages:

- ❖ Simple one-step process for taxpayer once the phone call or Internet transaction is made to Global Payment Systems, taxpayer can have confidence that Treasury will receive payment on the due date.
- ❖ No expense for the transaction for the taxpayer.

ACH Credit

What Happens:

Business Day Before
Payment Due Date

- ❖ Taxpayer instructs its bank (usually by magnetic tape, diskette, or other media) to send an ACH credit to the State's Treasury for settlement on the payment due date. Taxpayer includes remittance information *Taxpayer I.D., Tax Type, Period covered) with the payment for proper posting to their account.
- ❖ Bank reports information to the ACH System.

Payment Due Date:

- ❖ Funds are electronically deposited to the State's Treasury designated bank account.
- ❖ State Treasury provides detailed payment information to the Department of Revenue.
- ❖ Department of Revenue updates payment records.
- ❖ Taxpayer mails required tax return to Revenue.

Advantages:

- ❖ Less expensive than wire transfers.
- ❖ Treasury receives early morning notification of incoming ACH transactions.
- ❖ No phone calls to 3rd party vendor.

Disadvantages:

- ❖ Taxpayer must add an extra step to payment process by notifying its bank to initiate the ACH credit.
- ❖ Taxpayer increases the chance of late payment if there is a failure in communication with its bank on instructions for initiating the ACH credit.
- ❖ Taxpayer's bank may not have capability of originating ACH transactions.

Wire Transfer

Use as emergency backup only!

Payment Due Date:

- ❖ Taxpayer notifies Tennessee Department of Revenue of payment information for emergency transfer of funds at 1-(866) 368-6374 or (615) 253-0704.
- ❖ Taxpayer instructs its bank to wire transfer funds to the State's Treasury, including its taxpayer I.D. number in the wire transfer reference field.
- ❖ Treasury receives wire transfer.
- ❖ Treasury notifies Revenue that payment has been received.
- ❖ Revenue updates payment records.
- ❖ Taxpayer mails tax return to Revenue.

Advantages:

- ❖ **Electronic payment can be made if ACH Debit or ACH Credit methods are not operational.**

Disadvantages:

- ❖ Extra step in payment process for taxpayer.
- ❖ Taxpayer has little or no control over what time funds are actually transferred once a wire is requested. It is possible that deadlines could occasionally be missed.
- ❖ Most expensive transaction for taxpayer.
- ❖ Lack of information transferred to update taxpayer's account.

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SPECIAL PAYMENT PROCEDURES UNDER THE ELECTRONIC FUNDS TRANSFER PROGRAM

Introduction

In order to maximize the benefit of taxpayer's dollars, the Tennessee General Assembly has authorized the commissioner of Revenue to require certain tax payments to be made immediately available to the state on or before the payment due date. Rules and regulations have been established by the Department of Revenue for the administration of this legislation, and the Special Payment Procedures contained in this document were implemented on January 1, 1992.

Two payment options are available that use the Automated Clearing House (ACH) system to electronically transfer tax payments. The ACH system is a nationwide network designed for this purpose, and is the preferred transaction method for many financial institutions and corporations. The clearing facilities, delivery methods, and settlement services operated by the Federal Reserve System are utilized within this network in order to maintain security and increase the efficiency of transactions.

A third payment option, federal wire transfer, is only to be used on an emergency basis.

Penalty and interest charges may be incurred if the taxpayer fails to remit by the chosen method. No matter which method is chosen, you must complete the enclosed *Electronic Funds Transfer Agreement*, and return it to the Tennessee Department of Revenue within 10 days after receipt of this package.

The state of Tennessee has retained the services of Global Payment Systems to collect information for the ACH Debit Method. This service will help to ensure that taxpayers are able to report their payments without delay or inconvenience.

Which Taxpayers Must Use These Special Payment Procedures?

The Tennessee Department of Revenue will notify taxpayers that they will be required to use one of the two payment methods, if the taxpayer's average payment meets the minimum threshold (\$2,500 for sales and use, \$10,000 or more for all other tax types) or if the taxpayer is required to via EDI. Please see the Rules and Regulations for the formulas used in determining the average tax payments. A taxpayer may choose to participate in a special payment procedure voluntarily, even though they would not normally be required to do so. However, voluntary participants are subject to the same rules and regulations as those persons required to make payment in immediately available funds.

Tax Type	Due Dates¹
Franchise and Excise Tax	15 th of the month
Liquor-by-the-Drink Tax	15 th of the month
Gross Receipts Tax (except TVA)	1 st and 10 th of the month
Gross Receipts Tax (TVA)	Last day of the month
Alcoholic Beverage Tax	15 th of the month
Beer Tax	20 th of the month
Sales and Use Tax	20 th of the month
Motor Fuel Tax	20 th of the month
Tire Tax	25 th of the month (Quarterly)

What Are the Two Payment Options?

1. Automated Clearing House Debit (ACH Debit)

Under this option, the taxpayer authorizes the state of Tennessee to electronically transfer tax payments from the taxpayer's depository into the state's account. Initiation of the transaction occurs through a toll-free telephone call or through use of the Internet from the taxpayer to Global Payment Systems. The call or Internet transaction must be made at least one business day before the tax is due by 3 p.m. CST. The actual transfer of funds will take place one business day after the transaction has been initiated. Payment warehousing is available, up to ninety days before a payment is due. The entire transaction must be completed by the due date in order to avoid penalty and interest charges. See **Appendix A** for detailed instructions.

2. Automated Clearing House Credit (ACH Credit)

This option allows the taxpayer to initiate ACH transfers using the CCD + format (Cash Concentration and Disbursement). Most depositories or other currency management service providers usually charge a nominal fee for this service. The taxpayer will contact their depository or currency management service provider and instruct them to initiate the transaction on the day before the due date. The tax payment will then be withdrawn from the taxpayer's account on the due date and be deposited into the state's account. The funds transfer to the state must be completed by the due date in order to avoid penalty and interest charges. See **Appendix B** for detailed instructions.

3. Federal Wire Transfer (Fed Wire)

The wire transfer is available, but it should only be used as an emergency backup for the ACH Debit/Credit options. FedWire is a payment service operated by the Federal Reserve System as a private wire network for transfers between financial institutions having accounts at the Federal Reserve Bank. Most depositories charge a fee for this

¹ If the due date falls on a Saturday, Sunday, or banking holiday, the next working day will be considered the due date.

service. Although FedWires are an adequate means of transferring funds, they are not designed to transmit remittance information necessary for posting of tax payments.

Do I Still Have To File a Return?

In order to avoid penalty and interest charges, you still must file a timely tax return. Taxpayers must also make certain that EFT is indicated on the tax return by writing “EFT” by the amount paid line.

If there are any questions, please contact:

Electronic Commerce Division
Tennessee Department of Revenue, Taxpayer Services
Andrew Jackson Building, Third Floor
500 Deaderick Street
Nashville, TN 37242

Nashville-area and out-of-state (615) 253-0704
Statewide toll-free (866) 368-6374

TAX TYPE CODE – TABLE 1

<u>Tax Type</u>	<u>EFT Tax Type Code</u>	<u>Tax Form Name</u>
Franchise & Excise	01005	Debit Payment
	01050	Annual Return
	01051	Extension
	01053	Estimated Payment-1st Quarter
	01054	Estimated Payment-2nd Quarter
	01055	Estimated Payment-3rd Quarter
	01056	Estimated Payment-4th Quarter
	01057	Amended Return
Sales Tax	02001	Monthly Sales Return
	02002	Amended Sales Return
	02003	Debit Payment
	02006	Quarterly Sales Return
	02007	Annual Sales Return
	02010	Cable and Telecommunications (Monthly Return)
	02011	Cable and Telecommunications (Quarterly Return)
	02012	Cable and Telecommunications (Annual Return)
	02013	Streamlined Sales Tax Monthly SER
	02014	Amended Streamlined Sales Tax Monthly SER
	02015	Streamlined Sales Tax Annual SER
	02016	Amended Streamlined Sales Tax Annual SER
Liquor-by-the-Drink	03001	Liquor-by-the-Drink Return
	03002	Liquor-by-the-Drink Drink Debit Payment
Gross Receipts	04001	Bottlers Monthly Return
	04002	Bottlers Annual Return
	04003	Monthly Gas, Water, Electric, Power and Light
	04004	Annual Gas, Water, Electric, Power and Light
	04005	Mixing Bar
	04011	Gross Receipts Debit Payment & Installment Coupons
TVA	05001	TVA Return
	05002	TVA Debit Payment
Alcoholic Beverages	06001	Alcoholic Beverage Tax Report (Wholesale)
	06002	Distillers Report
	06006	Alcoholic Beverage Debit Payment
Beer Tax	07001	Beer Barrelage
	07002	Wholesale Beer-17%
	07003	Beer Tax Debit Payment

Solid Waste	09001	Tire Tax Return
	09002	Used Oil Return
	09003	Solid Waste Debit Payment
Motor Fuels	10035	Motor Fuels Debit Payment
	10350	Distributors Return
	10351	Limited Users Annual Return
	10355	LG Dealers Quarterly
	10356	LG Users Annual Return
	10358	Prepaid Users Report
	10360	Annual Renewal Producers Fuel
	10364	LG Users Renewal for Decals
	10365	LG Users Application for Decals
	10366	Compressed Natural Gas Return
	10368	Blenders Return
	10372	Terminal Operator Monthly Return
	10373	Transporter Return
	10374	Terminal Operator Annual Return
	10377	Exporter Tax Return & Claim For Refund
Tobacco Tax	11001	Purchase Requisition Cigarette Stamps
	11002	Tenn Tobacco Products Return
	11004	Tobacco Tax Debit Payment

APPENDIX A

How to Use the ACH Debit Method

1. The taxpayer submits an *Electronic Funds Transfer Agreement* for each tax type to the Department of Revenue with the following information:
 - Taxpayer's Name
 - Taxpayer's Address
 - Taxpayer's Revenue Account Number for that Tax Type
 - Contact Person Name and Telephone Number
 - Taxpayer's Bank Name and Address
 - Taxpayer's Bank American Bank Association (ABA) Number
 - Taxpayer's Bank Account Number
 - For Consolidated Tax Payments – List of all Account Numbers that will be consolidated into one ACH Debit transaction. Payments can only be consolidated if: Accounts have the same FEIN, Tax Type, Filing Frequency, and Bank Account Number

Please also include a copy of a voided check to verify ABA and bank account numbers.

2. Taxpayer will receive a set of reporting instructions with a pin number. There will be separate reporting instructions issued for each tax type being paid by the ACH Debit method. The

instruction card will also provide a toll-free number and Web site address to authorize the transfer of funds. Tax accounts being consolidated into one ACH Debit transaction will receive only one set of reporting instructions to report these payments.

3. Taxpayer makes a toll-free call or uses the Internet to authorize the transfer of funds and provides the following information:
 - Federal or State Code (2-digit code provided by Global Payment Systems)
 - Bank Number (4-digit code provided by Global Payment Systems)
 - Pin Number
 - Password (if using the Internet)
 - Taxpayer ID Number (9-digit assigned tax ID number)
 - Payment Amount
 - Ending Period Covered (MM/YYYY)(Month & Year of return)
 - Tax Code²
 - Settlement Date (MM/DD/YYYY)(Due Date of tax)

Please note that this toll free call to authorize an ACH Debit Transaction must be made before 3 p.m. CST one business day prior to the due date.

4. Taxpayer indicates on the tax return(s) that payment has been made via EFT and forwards these returns in a timely fashion to the Department of Revenue. If several outlets are being paid in one ACH Debit transaction, the returns for these outlets must be mailed together to ensure proper posting to the individual outlets.
5. Separate transactions must be made for each tax type or for each tax document type. Separate transactions must also be made for each tax period being paid.

APPENDIX B

How to Initiate an ACH Credit

1. The taxpayer submits an *Electronic Funds Transfer Agreement* for each tax type to the Department of Revenue with the following information:
 - Taxpayer's Name
 - Taxpayer's Address
 - Taxpayer's Revenue Account Number for the Tax Type
 - Contact Person Name and Telephone Number
 - For Consolidated Tax Payments – List of all Account Numbers that will be consolidated into one ACH Credit Transaction. Payments can only be consolidated if: Accounts have the same FEIN, Tax Type and Filing Frequency
2. Taxpayer must make necessary arrangements with their depository of other cash management service to initiate ACH Transactions using the CCD Plus (CCD+) format. The free-form field of the special addenda record must be formatted in accordance with the Tax Payment Banking Convention (TXP) as adopted by National Automated Clearing House Association.

² See page 5, Tax Type Codes – Table 1 for List of Tax Type Codes

3. Taxpayer indicates on the tax return(s) that payment has been made via EFT and forwards these returns in a timely fashion to the Department of Revenue. If several outlets are being paid in one ACH Credit transaction, the returns for these outlets must be mailed together to ensure proper posting to the individual outlets.
4. Separate transactions must be made for each tax type or for each tax document type. Separate transactions must also be made for each tax period being paid.
5. Refer to your depository or other cash management service for the *general* procedures and file specifications required in order to initiate an ACH Credit using the CCD+ format.
6. The following information, *unique* to the Tennessee ACH Tax Credit, must be included in the appropriate fields of the ACH entry Detail Record.

Entry Detail Record Format

Field Field Sequence		Field Name	Field Contents	Columns From To		Length
2	M	Transaction Code	"22"	2	3	2
3	M	Receiving DFI ID	"06410709"	4	11	8
4	M	Check Digit	"1"	12	12	1
5	R	DFI Account Number	"82334700 _{bbbbbbb} "	13	29	17

- 2 Transaction Code – Mandatory
Transaction Codes have been defined to identify various types of debit and credit entries. For credit entries, this field must be "22" – automated deposit.
- 3 Receiving DFI Transit/routing Number – Mandatory
This field must have a value of "06410709" which will identify the DFI receiving the data for the transaction.
- 4 Receiving DFI Check Digit – Mandatory
This field must have a value of "1" which is the check digit for the receiving DFI transit/routing number above.
- 5 DFI Account Number – Required
This field must have a value of "82334700_{bbbbbbb}" which is the account number of the receiving DFI. This field must be left justified and the trailing nine positions must be blank, indicated above with a "b".

The Entry Detail Addenda Record Format for the Tennessee ACH Tax Credit is as follows:

Entry Detail Addenda Record Format

Field Field Sequence		Field Name	Field Contents	Columns From To		Length
1	M	Record Type Code	"7"	1	1	1
2	M	Addenda Type Code	"05"	2	3	2
3	M	Segment ID	"TXP"	4	6	3
4	M	Separator	"*"	7	7	1
5	M	Taxpayer ID	Alphanumeric	8	*	*

6	M	Separator	“*”	*	*	1
7	M	Tax Type Code	Alphanumeric	*	*	5
8	M	Separator	“*”	*	*	1
9	M	Tax Period End Date	YYMMDD	*	*	6
10	M	Separator	“*”	*	*	1
11	M	Amount Type Code	“T”	*	*	1
12	M	Separator	“*”	*	*	1
13	M	Amount	\$\$\$\$\$\$cc	*	*	*
14	M	Segment Terminator	“\”	*	*	1
15	M	Reserved	Spaces	*	83	*
16	M	Special Addenda Sequence Number	Numeric	84	87	4
17	M	Entry Detail Sequence Number	Numeric	88	94	7

*Variable

- 1 Record Type Code – Mandatory
This field must have a value of “7” which will identify this record as an entry detail addenda record.
- 2 Addenda Type Code – Mandatory
The addenda type code defines the specific interpretation and format for the addenda information contained in the same record. The value for this field is “05” which indicates special addenda information for CCD entries.
- 3 Segment Identifier – Mandatory
This field must have a value of “TXP” which identifies this as being a tax payment.
- 4 Separator – Mandatory
This field must be an asterisk (*) which identifies a separator.
- 5 Taxpayer Identification – Mandatory
This field must be the sending company’s Tennessee Revenue account number of the specific tax being paid.
- 6 Separator – Mandatory
This field must be an asterisk (*) which identifies a separator.
- 7 Tax Type Code – Mandatory
This field is used to determine the tax and document type of the associated payment. See **Page 5 Tax Type Code – Table 1** for the values to be used.
- 8 Separator – Mandatory
This field must be an asterisk (*) which identifies a separator.
- 9 Tax Period End Date – Mandatory
This field is the ending period covered for the associated tax payment. It must contain six numeric values for the year, month and day. If the ending period is only year and month, enter zeroes for the day.
- 10 Separator – Mandatory
This field must be an asterisk (*) which identifies a separator.

- 11 Amount Type Code – Mandatory
The value of this field must be a “T” to indicate that the payment is a tax payment.
- 12 Separator – Mandatory
This field must be an asterisk (*) which identifies a separator.
- 13 Amount – Mandatory
The amount of this transfer must be the same value as the amount field in the entry detail record.
Leading zeroes need not be included.
- 14 Segment Terminator – Mandatory
This field must be a ‘back slash’ (\) to identify it as a segment terminator.³
- 15 Reserved – Mandatory
This field must be filled with spaces
- 16 Special Addenda Sequence Number – Mandatory
The value of this field must be a “1” to indicate one special addenda record present.
- 17 Entry Detail Sequence Number – Mandatory
This field contains the ascending sequence number section of the entry detail record’s trace number.
This number is the same as the last 7 digits of the trace number field of the associated entry detail record.

³ Please note that the format of fields 3 (segment identifier) through 14 (segment terminator) must be in accordance with the Tax Payment Banking Convention (TXP) as adopted by NACHA.